

801-538-5100 801-355-0922 (Fax) Michael O. Leavitt Governor David T. Terry http://www.trustlands.com

American Gilsonite Company Bonanza Minesite

HC 73 Box 28 Vernal, Utah 84078

Acceptance of Reclamation Bond, and Final Approval To Commence Mine Development

Gileonite Lease MI 251 DOGM File M/047/010 Attn: Neldon Knuz, Mine supt. Gilsonite Lease ML 851, DOGM File M/047/010 Re:

On July 12, 2000 the Director of the School and Institutional Trust Lands Administration ("Trust Lands Administration") annroved accentance of Certificate of Denosit. No. Lands Administration") approved acceptance of Certificate of Deposit, No. Journal of Missued by Administration approved acceptance of Certificate of Deposit, No. Journal of Missued by American American of Missued by Administration") approved acceptance of Certificate of Deposit, No. Journal of Missued by Missued Banks, Missued by Missued Banks, Missued Ba Lands Administration") approved acceptance of Certificate of Deposit, No. 2. Wells Force Book in the Amount of \$5,000,000 as sureful for realisments. Wells Fargo Bank, in the Amount of \$5,000.00, as surety for reclamation of disturbed lands and the Directors approval American other lease obligations under Gilsonite Lease ML 851. With the Directors approval the Commence with the Other lease obligations under Gilsonite Lease ML 851. 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The initial development of the mine sit will consist of drilling a 200 foot vertical shaft to access fans, ore the Gilsonite vein. At the mine shaft site a hoist, head frame, transformer, compressor, fans, ore the Gilsonite vein. At the mine shaft site a hoist, head frame, transnortation of Gilsonite the Gilsonite vein. At the mine shaft site a hoist, head frame, transnortation of Gilsonite the Gilsonite vein. At the mine shaft site a hoist, head frame, transnortation of Gilsonite the Gilsonite vein. At the mine shaft site a hoist, head frame, transnortation of Gilsonite vein. At the mine shaft site a hoist, head frame, transnortation of Gilsonite the Gilsonite vein. At the mine shaft site a hoist, head frame, transformer, compressor, fans, ore the Gilsonite vein. At the mine shaft site a hoist, head frame, transformer, compressor the Gilsonite vein. At the mine shaft site a hoist, head frame, transformer, compressor the Gilsonite vein. 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Adjacent to the main mine facilities a sediment pond, approximately 11 acres. The total surface disturbing approximately 11 acres. The total surface disturbing approximately 11 acres. disturbance. Adjacent to the main mine facilities a sediment pond, approximately 50 feet by the sediment pond, approximately 11 acres. The total surface disturbance feet, will be constructed disturbing approximately 11 acres. The total surface is to the main feet, will be approximately 1 AA acres. A cress to the main feet, will be approximately 1 AA acres. teet, will be constructed disturbing approximately .11 acres. The total surface disturbance it the main mine approximately 1.44 acres. Access to the main mine expected from the proposed mine plan will be approximately 1.44 acres. Access or width of the expected from the proposed mine plan will be approximately 1.44 acres. Access to the main mine approximately 1.44 acres. 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The archaeological survey of the proposed mine site (Project U-99-IQ-0401) identified no significant hietorical proporties and the project has been given clearance to commence by The archaeological survey of the proposed mine site (Project U-99-IQ-0401) Identified no the significant historical properties and the project has been given clearance with the State of I lands and inistration Compliance with the State of I lands archaeological staff of the Trust I ands Administration Compliance with the State of the Trust I ands administration compliance with the State of the Trust I ands administration compliance with the State of the Trust I ands administration compliance with the State of the Trust I ands administration compliance with the State of the Trust I and a compliance with the State of the Trust I and a compliance with the State of the Trust I and a complex comple as additional surface disturbances to the proposed mine plan.

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cc: To



State of Utah

School and Institutional
TRUST LANDS ADMINISTRATION

Michael O. Leavitt Governor David T. Terry 675 East 500 South, Suite 500 Salt Lake City, Utah 84102-2818 801-538-5100 801-355-0922 (Fax)

July 14, 2000

Director Inttp://www.trustlands.com
American Gilsonite Company
Bonanza Minesite
HC 73 Box 28
Vernal, Utah 84078

Attn: Neldon Knuz, Mine supt.

Re: Acceptance of Reclamation Bond, and Final Approval To Commence Mine Development

Gilsonite Lease ML 851, DOGM File M/047/010

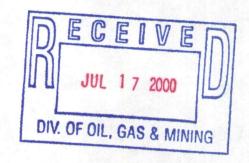


On July 12, 2000 the Director of the School and Institutional Trust Lands Administration ("Trust Lands Administration") approved acceptance of Certificate of Deposit, No. _______ issued by Wells Fargo Bank, in the Amount of \$5,000.00, as surety for reclamation of disturbed lands and other lease obligations under Gilsonite Lease ML 851. With the Directors approval American Gilsonite has satisfied the Trust Lands Administration's requirements to commence with the proposed mine development as originally submitted under cover letter dated January 10, 2000.

The initial development of the mine sit will consist of drilling a 200 foot vertical shaft to access the Gilsonite vein. At the mine shaft site a hoist, head frame, transformer, compressor, fans, ore bin and other facilities will be put in place to facilitate removal and transportation of Gilsonite. The proposed area of disturbance created by putting in place the mine support facilities around the central mine shaft is expected to be 200 feet by 200 feet or .92 acres. Two (2) escape ways will be constructed approximately 500 to 600 feet distance from the main mine shaft, along the trend of the vein on either side of the main mine shaft. Each escape way will disturb an area of approximately 180 feet by 50 feet (18,000 square feet) adding .41 acres of mine related surface disturbance. Adjacent to the main mine facilities a sediment pond, approximately 50 feet by 100 feet, will be constructed disturbing approximately .11 acres. The total surface disturbance expected from the proposed mine plan will be approximately 1.44 acres. Access to the main mine site will be via existing roads which may have to be graded. Altering the course or width of the existing roads will be considered new surface disturbance and such disturbances will be included as additional surface disturbances to the proposed mine plan.

The archaeological survey of the proposed mine site (Project U-99-IQ-0401) identified no significant historical properties and the project has been given clearance to commence by the archaeological staff of the Trust Lands Administration. Compliance with the State of Utah Antiquities Act forbids disturbance of archeological, historical, or paleontological remains. Should archeological, historical, or paleontological remains be encountered during your operations you are required to immediately suspend all operations and immediately inform the Trust Lands Administration and the Division of State History of the discovery of such remains.





As acknowledged in you notice approximately 100 feet of the Gilsonite vein you propose to mine lies within the SE¼NW½NE½ of Section 16 which is held under lease by Ziegler Chemical, Gilsonite lease ML 47535-OBA. The Trust Lands Administration's approval to commence with the proposed mine plan does not grant American Gilsonite Co. access to the surface or subsurface of any lands held under lease by third parties.

Upon completion of your mining operation all surface disturbances resulting from your operations on the leased lands will be fully reclaimed to the satisfaction of the Trust Lands Administration and in compliance with the State of Utah Mined Land Reclamation Act.

Sincerely,

William M. Stokes

Minerals Resource Specialist

cc: Tony Gallegos, DOGM